



BOMA

SEATTLE & KING COUNTY

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February 15, 2005

TO: Seattle City Light Superintendent, Jorge Carrasco
CC: Mayor Greg Nickels, Energy & Environmental Policy Chair &
Council Member Jean Godden, & Committee Members Jim Compton &
David Della

BOMA's Comments: Seattle City Light's Public Workshops on Rates and Policy.

BOMA is the Building Owners and Managers Association Seattle King County. BOMA's members own or manage over 40 million square feet of office and commercial real estate and provide goods and services to the commercial real estate market. BOMA member firms house over 175,000 Seattle workers and employ over 8,000 people in Seattle.

BOMA's Positions:

Debt Reduction and Rate Setting:

While average rates have been increased 59% over the last few years, rates should remain relatively constant with no decrease until a more healthy debt to equity ratio has returned to the Utility. BOMA supports the concept of debt reduction over the next several years as outlined by the Seattle City Light Advisory Board and Mayor Nickels.

Network Rates Policy:

City Light's current treatment of Network Rates seems somewhat arbitrary and inequitable and justification for the existence of the rate differential as well as the magnitude of the rate remains an open question in our view.

No further increase in Network rates should be considered. Absent acceptance of a "no further increase in Network Rate policy" decision, any further increase in Network rates should be spread across all commercial customers as is done with 100% of residential network rate customers.

City Light Rates Background: In late 1999, the City of Seattle became the first major municipality in the U.S. to institute a separate rate class for "Network" class of customers mostly located in the Downtown Core Business District. Specifically, City Light created a new downtown network rate for its medium and large General Service customers.

When this new policy was adopted, electricity rates for these customers were increased 15-20% over previous rates, which was less than 50% of what SCL considers as actual cost of service differential, and then these rates along with all rate classes were subject to the approximately 59% increase as a result of the energy crisis. Network rates were then raised another 3-5% in March 2002 to bring them to an estimated 50% of the cost of service differential as defined by SCL. The question before City Light is, should these rates be increased yet another 15-20% to reach an estimated 100% of the cost of service for network rate customers as defined by SCL

City Light defines the “network” as an electrical distribution configuration where there are both high load densities and a critical need for reliability, such as downtown Seattle. Specifically, the City Light rate proposal defines the “network” as the core downtown business district north of King and Jackson, South of Denny, east of Elliot Bay, and West of Interstate.

Further Comments:

City Light’s policy as established by the City Council is to charge all customer classes the true cost of service through the rate structure. However, SCL established higher network rates based on SCL’s estimates of the “true cost of service” to only the downtown network customers – a specific set of customers within targeted customer classes, while at the same time summarily excusing a significant number of other customers within all customer classes from paying for the benefits of network service they were receiving in downtown and other network systems in the city (or more accurately, spreading those costs across the entire class of rate payers)..

The assignment of a premium rate structure seems based more on geographic boundaries rather than the nature of the identified premium service. From an engineering perspective, the network extends well beyond the geographic boundaries of the downtown network as defined in City Light’s new network rate structure. It therefore stands to reason that if *all* loads that are receiving the benefits network service were to be appropriately included in a network rates structure, there would be a material reduction in medium and large General Service customers network rates (or perhaps provide a reason to spread these costs across a larger class).

The segregated class of customers that are subject to City Light’s network rates pay, over time, a disproportionate and unreasonable share of allocated system costs relative to those customers’ contribution to system load growth.

We believe that the current network rate structure will lead to an inefficient use of the downtown network system and promote increased commercial urban development in City Light’s “non-network” service areas. Electrical feeders in these areas have portions consisting of overhead lines, which are less costly to maintain and operate and are less reliable than the downtown underground network feeders. While overhead structures may be less costly to maintain and operate, it is clear from City Light documentation that customers in these areas receive the benefits of network service. It seems that the determining factor for network reliability is more a component redundancy and not whether the components are underground or overhead.

Electrical feeders in these areas serve both network and non-network customers so that it is difficult to separate network from non-network costs. However, if the justification of network rates is to recover costs from those that directly receive the benefits, than more effort should be made to identify such costs.

Finally, while perhaps unlikely to prevail, the uncertainty of the Bush Administration's proposals to charge Bonneville customers a market rate as opposed to actual cost of generation and with that, uncertainty about the possibility that SCL rates could increase anywhere from another 75% to 120% over 4-6 years, is another reason to rethink the network rate structure, let alone expanding that rate burden on downtown network payers.

BOMA remains committed to further dialogue and participation.

Sincerely,

A handwritten signature in black ink, appearing to read "Rodney S. Kauffman", with a stylized flourish at the end.

Rodney S. Kauffman
Executive Vice President
BOMA Seattle King County